

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Chippewa	County Chippewa
Fiscal Year End March 31, 2008	Opinion Date July 17, 2008	Date Audit Report Submitted to State July 25, 2008	

We affirm that:

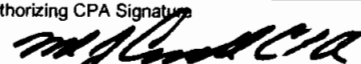
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Zip 48707		License Number 1101007803	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 17, 2008

To the Township Board
Township of Chippewa
Chippewa County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Chippewa, Chippewa County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Chippewa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Chippewa, Chippewa County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Chippewa covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$86,400.41 from governmental activities with a \$12,970.23 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	53 663
Capital Assets	<u>78 353</u>
Total Assets	<u>132 016</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	78 353
Unrestricted	<u>53 663</u>
Total Net Assets	<u>132 016</u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	34 804
General Revenues:	
Property Taxes	13 165
State Revenue Sharing	17 667
Interest	425
Miscellaneous	<u>20 339</u>
Total Revenues	<u>86 400</u>
Program Expenses:	
Legislative	1 440
General Government	39 905
Public Safety	26 031
Public Works	5 434
Recreation and Culture	<u>620</u>
Total Expenses	<u>73 430</u>
Increase in Net Assets	12 970
Net Assets, April 1	<u>119 046</u>
Net Assets, March 31	<u>132 016</u>

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Ambulance Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Total net assets at March 31, 2008, were \$132,015.57.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$49,029.25.

CAPITAL ASSETS

The Township's governmental activities invested \$9,500.00 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 25, Eckerman, Michigan 49728.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	50 292 69
Taxes receivable	<u>3 369 77</u>
Total Current Assets	<u>53 662 46</u>
NON-CURRENT ASSETS:	
Capital Assets	234 283 00
Less: Accumulated Depreciation	<u>(155 929 89)</u>
Total Non-current Assets	<u>78 353 11</u>
TOTAL ASSETS	<u><u>132 015 57</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	78 353 11
Unrestricted	<u>53 662 46</u>
Total Net Assets	<u>132 015 57</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>132 015 57</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 440 00	-	(1 440 00)
General government	39 905 32	9 506 38	(30 398 94)
Public safety	26 031 25	24 630 45	(1 400 80)
Public works	5 433 98	-	(5 433 98)
Culture and recreation	619 63	667 00	47 37
Total Governmental Activities	<u>73 430 18</u>	<u>34 803 83</u>	<u>(38 626 35)</u>
General Revenues:			
Property taxes			13 164 97
Other taxes			16 109 95
State revenue sharing			17 667 50
Interest			425 30
Miscellaneous			<u>4 228 86</u>
Total General Revenues			<u>51 596 58</u>
Change in net assets			12 970 23
Net assets, beginning of year			<u>119 045 34</u>
Net Assets, End of Year			<u>132 015 57</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Ambulance</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	35 753 79	10 742 40	46 496 19
Taxes receivable	3 369 77	-	3 369 77
Due from other funds	<u>3 796 50</u>	<u>-</u>	<u>3 796 50</u>
Total Assets	<u>42 920 06</u>	<u>10 742 40</u>	<u>53 662 46</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>42 920 06</u>	<u>10 742 40</u>	<u>53 662 46</u>
Total fund equity	<u>42 920 06</u>	<u>10 742 40</u>	<u>53 662 46</u>
Total Liabilities and Fund Equity	<u>42 920 06</u>	<u>10 742 40</u>	<u>53 662 46</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 53 662 46

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	234 283 00
Accumulated depreciation	<u>(155 929 89)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 132 015 57

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Ambulance</u>	<u>Total</u>
Revenues:			
Property taxes	11 448 20	1 716 77	13 164 97
Other taxes	16 109 95	-	16 109 95
State revenue sharing	17 667 50	-	17 667 50
Charges for services – PTAF	3 781 38	-	3 781 38
Charges for services – other	1 667 00	24 630 45	26 297 45
Interest	357 00	68 30	425 30
Rent	4 725 00	-	4 725 00
Miscellaneous	<u>328 86</u>	<u>3 900 00</u>	<u>4 228 86</u>
Total revenues	<u>56 084 89</u>	<u>30 315 52</u>	<u>86 400 41</u>
Expenditures:			
Legislative:			
Township Board	1 440 00	-	1 440 00
General government:			
Supervisor	2 400 00	-	2 400 00
Elections	1 275 00	-	1 275 00
Assessor	4 119 96	-	4 119 96
Clerk	2 115 00	-	2 115 00
Board of Review	1 080 00	-	1 080 00
Treasurer	2 280 00	-	2 280 00
Building and grounds	7 981 57	-	7 981 57
Cemetery	1 069 41	-	1 069 41
Unallocated	15 476 73	-	15 476 73
Public safety:			
Ambulance	-	25 534 58	25 534 58
Public works:			
Highways and streets	125 41	-	125 41
Street lights	5 045 11	-	5 045 11
Water and sewer	263 46	-	263 46
Culture and recreation:			
Parks and recreation	357 60	-	357 60
Capital outlay	<u>4 000 00</u>	<u>5 500 00</u>	<u>9 500 00</u>
Total expenditures	<u>49 029 25</u>	<u>31 034 58</u>	<u>80 063 83</u>
Excess (deficiency) of revenues over expenditures	7 055 64	(719 06)	6 336 58
Fund balances, April 1	<u>35 864 42</u>	<u>11 461 46</u>	<u>47 325 88</u>
Fund Balances, March 31	<u><u>42 920 06</u></u>	<u><u>10 742 40</u></u>	<u><u>53 662 46</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 6 336 58

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 866 35)
Capital Outlay	<u>9 500 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 12 970 23

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Chippewa, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Chippewa. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 2 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.6500 mills, and the taxable value was \$6,939,100.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	30 years
Equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>50 292 69</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	108 262 04
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>108 262 04</u>

The Township of Chippewa did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	38 000 00	4 000 00	-	42 000 00
Buildings	76 783 00	-	-	76 783 00
Equipment	110 000 00	5 500 00	-	115 500 00
Total	224 783 00	9 500 00	-	234 283 00
Accumulated Depreciation	(153 063 54)	(2 866 35)	-	(155 929 89)
Net Capital Assets	<u>71 719 46</u>	<u>6 633 65</u>	<u>-</u>	<u>78 353 11</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>3 796 50</u>	Current Tax Collection	<u>3 796 50</u>
Total	<u><u>3 796 50</u></u>	Total	<u><u>3 796 50</u></u>

Note 9 – Budget Variances

Actual expenditures exceeded budgeted amounts in several activities as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Elections	1 200 00	1 275 00	75 00
Assessor	3 900 00	4 119 96	219 96
Clerk	2 100 00	2 115 00	15 00
Board of Review	540 00	1 080 00	540 00
Building and grounds	7 392 50	7 981 57	589 07
Unallocated	11 995 00	15 476 73	3 481 73
Highways and streets	-	125 41	125 41
Street lights	3 500 00	5 045 11	1 545 11
Parks and recreation	330 00	357 60	27 60
Capital outlay	-	4 000 00	4 000 00
Ambulance Fund:			
Ambulance	21 810 00	25 534 58	3 724 58
Capital outlay	-	5 500 00	5 500 00

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	8 300 00	8 300 00	11 448 20	3 148 20
Other taxes	12 210 00	12 210 00	16 109 95	3 899 95
State revenue sharing	7 900 00	7 900 00	17 667 50	9 767 50
Charges for services – PTAF	-	-	3 781 38	3 781 38
Charges for services – other	1 950 00	1 950 00	1 667 00	(283 00)
Interest	50 00	50 00	357 00	307 00
Rent	5 000 00	5 000 00	4 725 00	(275 00)
Miscellaneous	3 542 50	3 542 50	328 86	(3 213 64)
Total revenues	38 952 50	38 952 50	56 084 89	17 132 39
Expenditures:				
Legislative:				
Township Board	1 740 00	1 740 00	1 440 00	(300 00)
General government:				
Supervisor	2 400 00	2 400 00	2 400 00	-
Elections	1 200 00	1 200 00	1 275 00	75 00
Assessor	3 900 00	3 900 00	4 119 96	219 96
Clerk	2 100 00	2 100 00	2 115 00	15 00
Board of Review	540 00	540 00	1 080 00	540 00
Treasurer	2 280 00	2 280 00	2 280 00	-
Building and grounds	7 392 50	7 392 50	7 981 57	589 07
Cemetery	1 200 00	1 200 00	1 069 41	(130 59)
Unallocated	11 995 00	11 995 00	15 476 73	3 481 73
Public works:				
Highways and streets	-	-	125 41	125 41
Street lights	3 500 00	3 500 00	5 045 11	1 545 11
Water and sewer	375 00	375 00	263 46	(111 54)
Culture and recreation:				
Parks and recreation	330 00	330 00	357 60	27 60
Capital outlay	-	-	4 000 00	4 000 00
Total expenditures	38 952 50	38 952 50	49 029 25	10 076 75
Excess (deficiency) of revenues over expenditures	-	-	7 055 64	7 055 64
Fund balance, April 1	-	-	35 864 42	35 864 42
Fund Balance, March 31	-	-	42 920 06	42 920 06

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	3 500 00	3 500 00	1 716 77	(1 783 23)
Charges for service	16 250 00	16 250 00	24 630 45	8 380 45
Interest	60 00	60 00	68 30	8 30
Miscellaneous	<u>2 000 00</u>	<u>2 000 00</u>	<u>3 900 00</u>	<u>1 900 00</u>
Total revenues	<u>21 810 00</u>	<u>21 810 00</u>	<u>30 315 52</u>	<u>8 505 52</u>
Expenditures:				
Public safety:				
Ambulance	21 810 00	21 810 00	25 534 58	3 724 58
Capital outlay	<u>-</u>	<u>-</u>	<u>5 500 00</u>	<u>5 500 00</u>
Total expenditures	<u>21 810 00</u>	<u>21 810 00</u>	<u>31 034 58</u>	<u>9 224 58</u>
Excess (deficiency) of revenues over expenditures	-	-	(719 06)	(719 06)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>11 461 46</u>	<u>11 461 46</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>10 742 40</u></u>	<u><u>10 742 40</u></u>

TOWNSHIP OF CHIPPEWA
Chippewa County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>2 589 86</u>	<u>207 013 25</u>	<u>205 806 61</u>	<u>3 796 50</u>
<u>Liabilities</u>				
Due to other funds	2 589 86	11 175 20	9 968 56	3 796 50
Due to others	<u>-</u>	<u>195 838 05</u>	<u>195 838 05</u>	<u>-</u>
Total Liabilities	<u>2 589 86</u>	<u>207 013 25</u>	<u>205 806 61</u>	<u>3 796 50</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 17, 2008

To the Township Board
Township of Chippewa
Chippewa County, Michigan

We have audited the financial statements of the Township of Chippewa for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Chippewa in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Chippewa
Chippewa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants